USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 4/5/2010

GAIN Report Number:

Dominican Republic

Oilseeds and Products Annual

2010

Approved By:
Margie Bauer

Prepared By:
Carlos G. Suarez

Report Highlights:

No soybean is imported for crushing. The estimates for MY 2008 imports of soybean meal have been revised downwards from 435,000 to 396,000 MT based on U.S. trade data. We understand that poultry production was lower due to tighter international credit and commodity costs. The forecast for MY 2009 soybean meal imports will remain at current levels. MY 2008 soybean oil imports have been revised to reflect industry reports and U.S. trade data. Our forecast for MY 2009 for meal and oil are expected to increase slightly. As a result of competitive pricing, U.S. market share of soybean oil reached almost 45% in MY 2008. Argentina and Brazil usually have the bulk of the market. The DR-CAFTA implemented in March 2007, locked a zero duty for soybean meal and crude degummed oil and phases out duties on refined oil over 15 years.

Executive Summary:

Commodities:

Oilseed, Soybean
Meal, Soybean
Oil, Soybean

Production:

In general there is practically no oilseed production for crushing. In the case of soybeans, they are not produced domestically because of unfavorable climatic conditions. During the 1980s, soybeans were imported from the United States and crushed domestically to produce oil and meal. Since the crushing facility was closed in the mid nineties, soybean products are imported to satisfy local market requirements.

Other types of oilseed production in the Dominican Republic, such as copra and peanut, have gradually decreased, as a result of lower prices of other vegetable oils in the international market.

Consumption:

Several years ago, the two major oil producers merged to become MERCASID, which now processes about 75 percent of Dominican oilseeds and imported crude degummed soybean, sunflower and corn oils. However, La Fabril and Cesar Iglesias are also in operation and are only refining imported crude degummed oils, mostly soybean, sunflower and palm.

Trade: Palm fruit are crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies are devoted to palm oil production: INDUSPALMA (a MERCASID sister company and a Unilever associate), and INASCA, an independent producer.

About 3,000 metric tons of copra was processed in MY 2008, yielding less than 2,000 metric tons of crude oil and 1,000 metric tons of meal. Industry estimates the consumption in MY 2009 will remain the same.

Stocks:

Stocks levels are insignificant.

Policy:

The Dominican Republic formally maintains no tariff for oilseeds. However, no whole soybeans are imported. The Dominican Republic does not subsidize or restrict the trade of oilseeds. Nonetheless, the government prefers that all trade be conducted through a registered Dominican agent. Phytosanitary no-objection permits are required for import and are easily available through the Secretariat of Agriculture.

Commodities:

Meal, Soybean

Production:

With the exception of less than 1,000 tons of coconut meal, practically no other oil meal is produced in the country. Minimal quantities of palm kernel meal are produced when small amounts of palm kernel are available to crush. Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand.

Major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy their requirements. No animal meals are imported because of BSE concerns. In spite of the increasing world prices for soybean meal, the United States has remained the Dominican Republic's major supplier, because of quality, price, and proximity.

Consumption:

The higher prices in MY 2007 and early MY2008 forced Dominican traders to reduce imports by almost 10%. This was reflected in previous estimates for MY 2008. The results of tighter international credit and increase commodity costs forced Dominican poultry producers to decrease production. Imports of soybean meal in MY 2008 came from the United States, exceeding 362,000 MT, except for 34,000 MT purchased in Argentine. As international prices stabilized so did poultry and swine production, responsible for almost all the soybean meal consumption. Post anticipates a stable consumption in MY 2009, with a marginal increase in the out year.

Trade:

Most of the soybean meal imported services the Dominican poultry and swine industry (at a 65:25 ratio), with some rice and wheat bran supplement. The balance is used for cattle and other specialty feeds.

Major soybean meal users are large poultry and swine producers, poultry and swine producer associations, and cooperatives that mix their own feed to minimize costs. These groups, particularly Cooperativa Avicola Ganadera Jarabacoa and the Consejo de Instituciones Pecuarias, which produce more than half of the poultry and swine in the country, supply the Dominican livestock sector with most of its protein requirements (poultry, pork and eggs). In addition, there is only one protein meal importer that formulates feed to service domestic and near-by island markets, AGRIFEED. This company prepares, in addition to some poultry and swine feed for small and mid-size producers, specialized feed formulations for other animal breeds. AGRIFEED also exports to near-by islands and moves some formulated feed to the Haitian market though informal trade.

Soybean meal has no import tax and remains at zero per the DR-CAFTA free trade agreement implemented since March 1, 2007.

Stocks:

The high soybean inventories in the past have disappeared, and strategic 5-14 day inventories maintained by the producers appear sufficient.

Policy:

The Dominican Republic does not have a comprehensive development strategy for the feed sector. Current budgetary constraints will make any future plan difficult to achieve. While soybean imports are not restricted, eight commodities, which include poultry, and swine (sectors that use the majority of the soybean imports), are protected through a TRQ system and a phase out period up to 20 years. Currently, CY 2010 corresponds to the fifth year of the agreement.

Marketing:

Consultants from the American Soybean Board representatives visit the Dominican Republic regularly to service the market through seminars and technical assistance to the poultry, swine, dairy and aquaculture sectors. They also service Haiti when possible.

Production, Supply and Demand Data Statistics:

Meal, Soybean Dominican Republic	2008			2009			2010			
	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2010			
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data	
Crush	0	0	0	0		0			0	(1000 MT)
Extr. Rate, 999.9999	0.	0.	0.	0.		0.			0.	(PERCENT)
Beginning Stocks	4	28	4	4		15			12	(1000 MT)
Production	0	0	0	0		0			0	(1000 MT)
MY Imports	380	425	396	390		400			405	(1000 MT)
MY Imp. from U.S.	380	425	352	370		375			375	(1000 MT)
MY Imp. from EU	0	0	0	0		0			0	(1000 MT)
Total Supply	384	453	400	394		415			417	(1000 MT)
MY Exports	0	0	0	0		0			0	(1000 MT)
MY Exp. to EU	0	0	0	0		0			0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0		0			0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0		0			0	(1000 MT)
Feed Waste Dom. Cons.	380	425	385	390		403			405	(1000 MT)
Total Dom. Cons.	380	425	385	390		403			405	(1000 MT)
Ending Stocks	4	28	15	4		12			12	(1000 MT)
Total Distribution	384	453	400	394		415			417	(1000 MT)
CY Imports	380	425	396	390		400			0	(1000 MT)
CY Imp. from U.S.	380	425	352	370		375			0	(1000 MT)
CY Exports	0	0	0	0		0			0	(1000 MT)
CY Exp. to U.S.	0	0	0	0		0			0	(1000 MT)
SME	380	425	385	390		403			405	(1000 MT)

Commodities:

Oil, Soybean

Production:

Domestic vegetable oil production in MY 2008 continues to be low and is limited to 15,300 metric tons of crude palm oil, a small volume of palm kernel oil, and about 2,000 metric tons of coconut oil. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap). Local production of oil represented about 10 percent of the total supply last year and is expected to continue at this level for now. Significant competition exists in the Dominican market from oils from South America in MY 2008, including soybean and sunflower oil from Argentina and palm oil from Colombia, although the proportion of soybean oil from the United States increased because of proximity and price. This trend has continued into MY 2009.

Coconut oil production is limited to copra from coconuts, which do not meet the quality needed for either direct export or processing e.g., syrup for piña coladas. In the past, some coconut oil was exported to nearby islands, although this has not been the case during the past two marketing years. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly for cosmetic industry use.

In the mid-nineties five edible oil processors in the Dominican Republic competed fiercely and currently, only three remain in operation. In MY 2008, the largest processor, MERCASID, controlled approximately 75-78 percent of the total oil market share; LA FABRIL in Santiago has quickly gained over 13-15 percent and "Cesar Iglesias" has the remaining 8-9 percent. Cortes Hermanos, Nestle Dominicana and Promind Agroindustrial which use small quantities of oil in their industrial processes. Estimated overall oil processing capacity exceeds 180,000 metric tons.

Consumption:

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2008 is about 115,000 metric tons, almost flat when compared to the year before. This includes 131,000 MT of imported oils and 17,300 MT of locally produced palm (15,300 MT) and coconut (2,000 MT). The total consumption is not expected to grow in MY 2009.

The consumption pattern shows an overall decrease in volumes towards the most competitive priced oils. U.S. market share has remained the same in MY 2008 over the year before as a result of proximity and price on the U.S. oils when compared to other sources in South America. MY oil imports have been revised based on industry data. Consumption of imported sunflower and corn oils in MY 2008 has flattened as a result of higher domestic prices which restrained direct consumers. Import data for MY 2009 is not expected to show major improvement.

Trade:

Total imported soybean oil in MY 2008 includes about 54,600 MT of imported crude degummed soybean oil from Argentina and Brazil (58%), including 44,700 MT of the United States. The high international prices for most commodities in MY 2007, including for soybean oil, forced processors to reduce imports. Other vegetable oils, such as crude sunflower (4,650 MT) were also purchased in Argentina. About 5,200 MT of crude degummed Colombian palm oil were imported for further processing and 5,630 MT of crude corn oil and some rapeseed oil from the United States. Smaller quantities of refined soybean, corn, rapeseed and canola oils were purchased abroad by the grocery wholesalers from the United States.

In the case of soybean oil, price has been the most important consideration dictating the source of imports. Because of the lower Argentinean and Brazilian prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market, since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads as it happened in previous years. A summary of Dominican vegetable oil imports is presented below:

Dominican Imports of Vegetable Oils MY 2006 - MY 2008

Marketing Year	Oil type	Quantity (MT)	% U.S. Share
MY 2006	Soybean	114,570	11
	Sunflower	12,124	0
	Corn	7,595	100

	Palm	18,671	0
	Coconut	N/A	N/A
	Total MY 2006	**153,140**	**13**
MY 2007	Soybean	93,807	42
	Sunflower	4,430	0
	Corn	6,430	100
	Palm	7,259	0
	Coconut	N/A	N/A
	Rapeseed	595	100
	Canola	47	100
	Total MY 2007	**112,568**	**44**
MY 2008	Soybean	99,300	45
	Sunflower	4,650	0
	Corn	5,627	100
	Palm	5,200	0
	Coconut	N/A	N/A
	Rapeseed	630	100
	Canola	N/A	N/A
	Total MY 2008	**115,407**	**44**

Source: Industry.

Exports of Dominican edible oils to nearby islands are almost non-existent. Less than 1,000 MT of soybean oil have been exported to Haiti.

Stocks:

Stocks fluctuate throughout the year (2009) and are estimated at about 12-14 thousand metric tons, which is equivalent to a 7-10 day's supply.

Policy:

The DR does not have a comprehensive development strategy for the oil sector. Currently, budgetary constraints will make any future plan difficult to achieve.

The applied tariff on most agricultural items in the Dominican Republic, including oils is twenty percent. In Calendar Year 2009, crude degummed oils have a basic three percent tax, while refined has a 20 percent basic duty. The 16 percent Value Added Tax (VAT or ITBI) is not applied to oil imports to maintain relatively low and stable prices to the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, the DR prefers that all trade be conducted through a registered Dominican agent.

The new DR-CAFTA free trade agreement implemented in 2007 locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years (2020). It is interesting to note that the 20% basic tax on U.S. refined olive oil has been reduced to zero under the implemented DR-CAFTA agreement with the United States.

Marketing:

The Dominican oil market is very competitive, with an average supermarket carrying at least eight brands. In addition to local brands, the most popular brands appear to be Crisco (with canola and soybean oils), Mazola (with corn) and Wesson (canola, corn, sunflower and soybean oils) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils is presentation and price.

Production, Supply and Demand Data Statistics:

Oil, Soybean Dominican Republic	2008			2009			2010			
	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		New Post Data	
Crush	0	0	0	0	0	0			0	(1000 MT)
Ext. Rate, 999.9999	0.	0.	0.	0.	0.	0.			0.	(PERCENT)
Beginning Stocks	14	14	14	14	10	12			12	(1000 MT)
Production	0	0	0	0	0	0			0	(1000 MT)
MY Imports	105	94	99	125	100	105			108	(1000 MT)
MY Imp. from U.S.	30	43	45	30	25	45			45	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0			0	(1000 MT)
Total Supply	119	108	113	139	110	117			120	(1000 MT)
MY Exports	0	0	0	0	0	0			0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0			0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0			0	(1000 MT)
Food Use Dom. Cons.	105	98	101	125	98	105			108	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0			0	(1000 MT)
Total Dom. Cons.	105	98	101	125	98	105			108	(1000 MT)
Ending Stocks	14	10	12	14	12	12			12	(1000 MT)
Total Distribution	119	108	113	139	110	117			120	(1000 MT)
CY Imports	100	94	99	125	94	105			108	(1000 MT)
CY Imp. from U.S.	30	43	45	30	25	45			45	(1000 MT)
CY Exports	0	0	0	0	0	0			0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0			0	(1000 MT)